

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Amoco Production Company,
BP Exploration & Oil, Inc.,
Chevron U.S.A. Inc.,
ExxonMobil Gas Marketing Company,
a division of Exxon Mobil Corporation, and
Shell Offshore Inc.

Docket No. RP01-208-000

ORDER ON FURTHER PROCEEDINGS

(Issued May 14, 2003)

1. On January 12, 2001, the Commission issued an order¹ establishing a technical conference in response to the January 5, 2001, filing by a number of producers (Producers)² for a Petition for a Temporary Restraining Order and Request for an Emergency Technical Conference (Petition). Producers requested that the Commission issue an immediate temporary restraining order to prevent Southern Natural Gas Company (Southern) from shutting in natural gas supply upstream of the Toca processing plants, located in Louisiana. Producers also requested that the Commission schedule an emergency technical conference to explore all of the issues as soon as possible. On January 8, 2001, Southern filed an answer, and a motion to dismiss the petition. On January 11, 2001, Producers filed an answer to Southern's motion.

2. Producers stated that their production is processed at three processing plants at Toca, Louisiana, which plants remove liquefiable hydrocarbons from the natural gas stream. When operators of the Toca plants notified Southern that they intended

¹94 FERC ¶ 61,026 (2001).

²Producers consisted of Amoco Production Company, BP Exploration & Oil, Inc., Chevron U.S.A. Inc., ExxonMobil Gas Marketing Company, a division of Exxon Mobil Corporation and Shell Offshore Inc.

to shut down plant operations, Southern notified its customers that if the plants did not accept the Producers' gas for processing, Southern would not accept the unprocessed gas.

3. Producers asserted that the commingled gas streams both upstream, and immediately downstream of the Toca processing plants comply with Southern's quality specifications. They also stated that it was their understanding that Southern was accepting gas at other interconnects that far exceeds the quality of the gas stream on Southern's system immediately downstream of the Toca plants. Producers requested that the Commission require Southern to accept their unprocessed gas, and convene a technical conference to explore the issue.

4. Southern asserted in its answer that Southern had an obligation to its downstream, market-area customers to ensure that the gas quality on Southern's system would not deteriorate to a point that would cause their facilities or systems damage.³ Southern stated that for production upstream of the Toca Processing Plant, it typically waived Section 3.1(b) of its tariff, which establishes the gas quality specification for heavier hydrocarbons, because it knew that the gas would be processed and the heavier liquids stripped out during processing. Without the entire gas stream getting processed, however, Southern stated it could not continue to waive the specification and allow the gas containing the heavier hydrocarbons to be delivered into the system. Southern asserted that it must be allowed to enforce the tariff specification. Southern stated that although the Toca plant had not been in operation, Southern began operating an emergency dehydration plant to process some of Producers' gas while an attempt was made to resolve the dispute. However, this was only an emergency operation because this plant could not operate on a permanent basis.

5. Since Producers' response to Southern's contentions differed from Southern's representations in many areas, the Commission directed staff to convene a technical conference in view of the differing factual assertions by the parties, the uncertainty concerning whether processing would continue on a basis more permanent than day-to-day, and the continuing possibility that Southern could proceed with its shut-in plans if the level of processing fell. At the January 22, 2001 technical conference, the parties sought to arrive at a permanent solution. Although, no agreement could be reached, the parties agreed to have further negotiations.

6. Thereafter, the Commission was periodically advised by the parties that progress was being made, that no final agreement had been achieved, but negotiations were continuing. However, on May 2, 2002, the Toca Producers filed a motion to convene a technical conference in an effort to bring final resolution to all the issues in this proceeding. The Commission then requested the parties to advise the Commission which

³A number of Southern's customers filed in support of Southern's position.

issues identified in the January 5, 2001 filing remained to be resolved. The Commission received a number of responses.

7. The Commission's Dispute Resolution Service then participated in a number of conferences to assist the participants by use of the Alternative Dispute Resolution (ADR) processes and procedures in resolving the remaining disputes in this proceeding. However, no resolution was reached, and the ADR process now has been terminated.

8. There has been no quantification of natural gas production shut-in, if any, as a result of Southern's conduct, nor is there any indication that the events that preceded the filing of the petition are likely to reoccur soon. In view of the current posture of these proceedings (in particular, that after several rounds of negotiation, some, but apparently not all of the issues, may have been resolved), and the staleness of the current record (which consists solely of the filings in January 2001, and the responses to the Commission's May 2002 letter), the Commission directs the parties to identify which issues, if any, remain outstanding and to set forth the parties' position on each of these issues in sufficient detail to enable the Commission to make a decision on the merits. Responses are to be filed within 15 days of the date of this order, and comments on the responses are due 5 days thereafter.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.